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Prospects for the U.S. Balance of Payments — 12 pages

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Prospects for the U.S. Balance of Payments[1/]

A. B. Hersey

The title of this paper may seem to pronounce a simple question and promise a definite answer. Lest readers be disappointed, they are warned that the question is not a simple one. We start, and we shall end, with a presumption that the future of the U.S. balance of payments at this moment -- like most futures economists have faced in the past -- is full of new things that will defy our attempts to guess what they are before they come.

Appraisals of the state of the U.S. balance of payments have fluctuated wildly in the last few years. In the mid-1950's, analysts were preoccupied with the balance-of-payments problems of other countries. The United States for many years made payments on current and capital account in excess of its receipts, so that other countries added to their holdings of U.S. dollars. This was oftener called a contribution towards long-run world equilibrium by the United States than a worrisome deficit in the U.S. balance of payments. In 1958 and 1959, for the first time in a very long while, the man in the street began to hear of the U.S. balance-of-payments problem. In the latter part of 1959 and in 1960, some saw a change for the better as exports rose, but in the autumn of 1960 foreign exchange and gold markets seemed to be expressing the gravest sorts of views about the future value of the U.S. dollar. In the first half of 1961, doubters have seemed reassured, and the prevailing opinions have ranged from cautious optimism to forgetful optimism.

This paper will do little more than give some hints as to useful ways of thinking about prospects for the U.S. balance of payments. The simple central thought of the paper is that the balance of payments is a multidimensional set of statistics: besides its own peculiar cross-sectional dimensions, it has the time dimension that any economic time series has. The moral of this is that, for purposes of public policy in relation to the balance of payments, the facts of any present (or recent, or near-future) moment mean little unless they are understood as the momentary results of some set of forces. On such an understanding can be built an appreciation of possible future results of the forces, themselves subject to change, that act on the balance of payments.

1/ A modified and updated version of a paper read at a seminar at the Harvard Graduate School of Public Administration, October 31, 1960. Opinions and estimates are those of the author, not of the Board of Governors of the Federal Reserve System.

Preconceptions as to policy

In what follows below, little will be said of public policy. It may be useful, therefore, to set out here some of the preconceptions that will be taken for granted.

The United States has no overriding aim of policy to eliminate the deficit in the balance of payments, regardless of anything else. If that were our only objective, many kinds of restrictive actions could be put into force, from tariff protection on to complete exchange controls. Since, however, the national objectives that we have got to keep in mind in thinking about the balance of payments go far beyond the balance of payments itself, we are forced to the position that expansion of U.S. exports, as part of a general expansion of world trade, is the main line by which equilibrium is to be approached. One cannot easily forget the need for our support of economic development around the world, or our position of leadership in the military security of the free world, or the social and political case against excessive unemployment within the United States. Most of us are agreed that flexible adjustments of trade and production and investment in response to market demands and supply capabilities, with a minimum of interferences by way of subsidies or protective penalties on imports or arbitrary direct controls, are the way in which we ought to manage our international trade and investment.

We want to enlarge our exports so that we can carry out all our proper international responsibilities -- while continuing to conduct import trade in a way to benefit the U.S. consumer and to promote flexibility rather than rigidity in the U.S. economy -- and at the same time lessen the risk that disturbances more acute than those we experienced in the autumn of 1960 might arise in the future and might force public policy into an unwise improvisation of emergency measures.

The analysis of exports

Any approach to the question of how far short the United States is of exporting enough to meet the needs of its balance of payments involves both statistical measurement and judgments of interpretation. (In fact, interpretation enters right into the statistical process itself, for example in adjusting a time series like that of exports to eliminate seasonal variation.) What we have to do is not just to look at the table of the balance of payments for the latest year, or for the latest three-month period, but rather to look at an array of data with a time dimension, a whole set of time series. The momentary data tell us very little for our purposes, unless we have some idea how the various elements of the balance of payments got to where they are at the moment, and how they are moving on.

In this particular exercise in the analysis of time series, elimination of seasonal variation is an essential basic step. But the rest of the treatment cannot be handled by the conventional mathematical devices for separating cyclical movements from trend movements. A glance at any chart showing seasonally adjusted total merchandise exports and total merchandise imports over a period of several years will demonstrate quickly that there have been some sharp changes in the rates of increase or decrease of both exports and imports in the past few years. But no mathematical fitting of a trend line to the data for these years, or for a longer period with more earlier years, will give a reliable trend line, to be extrapolated into the future and to give a useful idea of how far above or below trend the latest figures are. To get an idea of where we are in relation to trend, some outside information has got to be brought to bear on the analysis.

At least four kinds of changes can occur in exports, beyond seasonal changes. (1) There may be changes that are very closely linked with changes in items on the payments side of the balance of payments -- for example, with changes in U.S. Government economic aid grants and loans. Or, even without much change in total economic aid, changes in policy with regard to the kinds of purposes for which aid is given may tend to push exports up (or down) somewhat differently than they might otherwise have moved. (2) There may be changes that are related to demand and supply variables abroad and in the United States, variables that can be called, for brevity, "cyclical." This is a short-hand name, intended to refer to forces that are somehow related to business cycles abroad or here or to other temporary conditions that carry within themselves the possibility of reversal or other alteration; the use of the word "cyclical" for these forces, or for the changes in U.S. exports to which they give rise, is not intended to imply any regularity of recurrence or regularity of amplitude in the export changes called "cyclical." (3) There may be special cases of the cyclical class that are so limited as to the kinds of exports affected, or so narrow in their causation, as to attract special attention. (4) Finally, there are changes that reflect underlying growth trends in demand and underlying competitive positions of the United States and other countries.

We shall defer to a subsequent part of this paper any discussion of changes in exports in response to changes in economic aid policy. The paper is too brief to allow a discussion of "cyclical" changes in exports, vastly important though these have been in recent years. A few words about "special" changes may be useful, even at the risk of seeming to suggest -- the opposite is intended -- that they have been more important than the "cyclical" changes.

In the last few years, the three principal instances of "special" changes in exports have been in fuels, aircraft, and raw cotton.

In the first quarter of 1957, when total exports went above $20 billion at an annual rate, exports of fuels were at a rate of at least $1 billion more than they had been at the middle of 1956 or than they were later in 1957; this was the bulge in exports of petroleum products after the Suez crisis.

In the second and third quarters of 1960, commercial aircraft exports went more than $1/2 billion (annual rate) above their 1955-59 average, and then diminished considerably in subsequent quarters; these were new jet planes that had been on order for commercial airlines all over the world, and that will not need to be replaced for some time to come.

A considerable part of the big fluctuations in agricultural exports in 1956-57 and again in 1959-60 was in raw cotton. During the August 1959-to-July 1960 crop year, about $1/2 billion more of raw cotton was exported than in the preceding crop year, and the increase in rate of shipments from early in 1959 to the peak early in 1960 was of the order of magnitude of $1 billion at an annual rate. The reasons for these wide swings in cotton exports were only partly "special"; they corresponded in some degree also to swings in the world textile cycle -- specifically, to demands for rebuilding raw cotton stocks of textile manufacturers during upswings in the cycles. The "special" element that twice delayed the start of an upswing in U.S. raw cotton exports, and twice accentuated it, lay in U.S. Government export pricing policies for raw cotton; on both occasions, forthcoming reductions in export prices to be in effect during a full crop year were announced long before the beginning of the period to which they were to apply, with the result that foreign buying was postponed in the interim.

If the analyst of U.S. exports can succeed in estimating, and so can segregate, the changes associated with changes in aid policy, those due to "cyclical" forces, and those he calls "special," he will be left with changes that must reflect underlying growth trends in demand and underlying competitive positions of the United States and other countries. These changes he may call the "underlying trend," if he likes. Unlike a mechanically fitted statistical trend line, this "underlying trend" of exports is something that may undergo definite changes in slope from time to time, because growth trends in demand are not constant and because the underlying competitive position of the United States in relation to other countries is not constant.

This program for analysis of exports is more easily laid out than performed. In the attempt at performance, one is sure to be baffled by the problem of deciding what changes in demand, or what changes in competitive position, are cyclical and what are of a more enduring nature. For example -- and the example is relevant for an analysis of imports as well as one of exports -- who is to say whether the leveling off in U.S. prices of steel and of machinery and transportation equipment after their long-continued rise up to mid-1959 has been merely "cyclical" or deserves to be called an element of change in the "underlying" competitive position of the United States? Clearly, analysis of exports (or of imports) involves baffling problems of interpretative judgment.

Exports as part of the balance of payments

Thus far we have been thinking of exports as acted on by a variety of forces mainly external to the balance of payments itself. To approach more closely the question of how far short the United States is of exporting enough to meet the needs of its balance of payments, it will be helpful to study the Table: "U.S. Balance of Payments, Rearranged." pp. 11&12

The selection of periods in this table requires some explanation. The right-hand half of the table begins with the second quarter of 1959, when the deficit was at its worst for that year. The second quarter of 1960, in the next column, was the last period of sharp cyclical rise in exports, and preceded a sharp drop in imports. The fourth quarter of 1960 is the one in which the over-all deficit reached a new maximum, and the first quarter of 1961 is the latest period for which data have been published at the time of writing. In the left-hand half of the table, the periods used are the first halves of the years 1955 to 1958; these iron out some of the quarter-to-quarter fluctuations, yet they leave clearly visible the strong upswing in exports to a peak in the first half of 1957 and the sharp drop from then to early 1959.

The "rearrangement" of the table also calls for comment. The Department of Commerce publishes its balance of payments estimates in two forms. There is the basic table, unadjusted for seasonal variation, in which every item appears with its proper sign in the accounting, plus or minus, and no item is treated as the resultant of others. Then there is the summary table, using data adjusted for seasonality, and leading from a total of payments to a total of receipts and then to something popularly called the "deficit": "net payments balanced by changes in holding of gold and convertible currencies by U.S. monetary authorities and changes in liquid liabilities," to use the language of the Survey of Current Business. The rearrangement in our table is still different. At the bottom of the upper half, a balance is struck on current and long-term capital transactions (excluding long-term U.S. bank loans), expressed here at its seasonally adjusted annual rate. This item reappears at the top of the second half, in a different form: at quarterly rather than annual rates. This is then balanced by the remaining items. Of these, H, I, J, and K add up to the usual "deficit," or, strictly speaking, the usual "settlement" items: gold movements and changes in foreign holdings of liquid dollar assets, seasonally adjusted. Along with these, however, we now have item F, flows of U.S. private short-term capital plus bank loans with maturity longer than one year, and item G, unrecorded transactions to the extent that they are out of line with the usual moderate balance of unrecorded receipts. A rough estimate of "normal" errors and omissions has been included in the first half of the table, as an item entering into the balance on current and long-term capital accounts.

Any arrangement of the balance of payments has its drawbacks as well as any useful qualities, and this one is no exception. Among its useful qualities is the new light it throws on familiar facts. It is interesting, for example, that in the fourth quarter of 1960 we were within a few hundred million dollars of a zero balance, seasonally adjusted, on current and long-term capital transactions as here defined, including an allowance for normal errors and omissions. This was the quarter in which the balance-of-payments deficit as ordinarily defined mushroomed to a seasonally adjusted annual rate over $5 billion, and when the gold movement shot up to $921 million in the quarter, or over $3 billion at an annual rate! How could this happen?

Looked at one way, the conventional way, the answer is that there were very large outflows of private short-term capital (items F and G) other than recorded foreign private short-term capital (item H), the usual inward flow of which also turned to an outflow. These outflows left large increases in foreign official reserves, much of which went into gold. Looked at another way, the answer places main emphasis on the small deficit balance on current and long-term capital transactions; this deficit had as its counterpart a relatively small net change in short-term liabilities, gold reserves, and short-term private assets.

There are good reasons for not using this particular formulation of the balance-of-payments accounts as the standard form. The main point, perhaps, is that the dollar is a reserve currency for many other countries, and we do need to keep our eyes focussed on buildups of our short-term liabilities, even when gold is not being bought from us. Increases in our private short-term assets abroad give us no real supplement to our gold reserves; in a crisis they are not mobilizable but on the contrary are likely to grow more then than at other times. The standard formulation therefore treats outflows of U.S. private short-term capital and unidentified capital as transactions to be merged with current and long-term capital transactions in accounting for changes in our monetary reserves and in our short-term liabilities to the rest of the world.

Still, for trying to assess the underlying trends in the balance of payments, a rearrangement that focuses on current and long-term capital transactions has some virtue. Of course we must not lose sight of the flows of recorded U.S. private short-term capital, or of unrecorded capital flows. (In the long run probably we must count on a small average net outflow of the former.) But the wide fluctuations in both these items at certain times add greatly to the difficulties of finding an underlying trend in the over-all balance-of-payments position.

These difficulties are large enough even when short-term flows are put aside. It would be a very great mistake to take the deficit (or surplus) on the so-called "basic" accounts at any given moment as anything really basic. A really basic equilibrium will exist only when the underlying trend values of exports and imports and long-term capital flows and the rest (including a long-run average amount of short-term capital outflow) are brought into balance. To evaluate the present state of health of the balance of payments, then, is (1) to estimate how far from equilibrium the present trend values of the components are, and (2) to judge what slopes the various trends have and in what way these slopes may be changing.

In illustrating these propositions, we shall take the fourth quarter of 1960 as a starting point. Long-term capital transactions in that quarter included one especially large deal in which a U. S. automobile producer bought out minority holders in one of its subsidiaries abroad. If this particular transaction is omitted, the current and long-term capital accounts including an allowance for normal errors and omissions were virtually in balance. But this near balance was still far from representing a really basic equilibrium, since exports were benefiting from favorable cyclical conditions abroad while imports were low on account of the recession in the United States. On the other hand, economic aid and private long-term capital net outflows may have been somewhat above their trend levels.

The net outflow of private long-term capital (lines C and D in the table) adjusted to exclude the Ford transaction was at a seasonally adjusted annual rate over $2 billion. The trend level can perhaps be considered to have been somewhat less than that, and the main reason why the actual net outflow was above trend was that inflows of foreign capital to purchase U.S. common stocks and corporate bonds dried up temporarily during the second half of 1960. These inflows resumed in the first half of 1961. Relative to the possible fluctuations in coming years, the trend slope for net private long-term capital flows can be considered negligible. If we can assume successful efforts to restrain inflation in the United States, there is not much reason to doubt that the position of the trend in coming years will be much below the large amount registered in the first half of 1957, when very large petroleum investments were being made in Venezuela.

The net outflow of U.S. Government grants and credits was at a seasonally adjusted annual rate of $3.5 billion. The trend slope of this outflow now seems likely to be rather strongly upward. In the fourth quarter of 1960, however, the actual outflow was probably somewhat above its trend value.

Merchandise imports were at a seasonally adjusted annual rate of $13.7 billion, down sharply from the high level of most of 1959 and the first part of 1960. The trend line for imports in coming years is not easily to be guessed at. Imports are certainly a function of national income, but whether imports are to rise less than in proportion to GNP, or more, is a function of the competitive position of the United States and of the country's relative success in avoiding inflation of costs and prices. It is arguable that whatever trend line might be drawn mathematically through the 1955-to-1959 import figures, -- and it would be a sharply rising line -- is no longer, if it ever was, a proper measure of the combined effects of underlying growth factors and underlying competitive factors. It is arguable that the proper underlying trend line was rising pretty rapidly, but that the influence of import competition under conditions of no inflation since mid-1959 has been to jolt U.S. producers into meeting the competition more effectively, and that the proper underlying trend line has been bending down to a lesser slope than before.

This hypothesis relates to the slope of the trend of imports, and says nothing about the position of the import trend. A crude method of judging the relation of actual imports to trend level imports in the fourth quarter of 1960 starts by noting that merchandise imports were only 2.7 per cent of GNP, both seasonally adjusted. So low a proportion as this is quite unlikely to be maintained in the next year or two. Something over 2.7 per cent but perhaps under 3 per cent might be taken as the trend value in 1960 of this ratio. Moreover, GNP in the past year has undoubtedly been below its own trend level. Taking these considerations into account, one might hazard a guess that at $13.7 billion imports were something like a billion and a half below their trend level.

In the case of U.S. military expenditures abroad, it is difficult to speak of any underlying trend at all, because the question of whether military expenditures abroad net of military export transactions will still be over $2.5 billion a year or two from now, or will have been reduced as a result of efforts by the U.S. Government to get other countries to carry a larger share of the burden in one way or another, is a question of policy and of future international political events.

Up to this point, the conclusion suggested is that the apparent approach to equilibrium in the current and long-term capital accounts in the fourth quarter of 1960 was not wholly unreal. Low imports tended to give a somewhat too favorable impression of the trend level balance, but economic and private long-term capital movements worked in the other direction. This brings us, finally, to exports.

The goal for merchandise exports may be defined as the achievement eventually of a trend value sufficiently high to compensate for (a) future trend increases in other components of the balance of payments and (b) whatever shortfall existed to begin with in the fourth quarter of 1960, when superficially there appeared to be a near-zero balance on current and long-term capital accounts. That shortfall had two components: a deficiency in the trend value for exports as compared with actual exports, and an excess of trend over actual net payments in the rest of the current and long-term capital accounts. In addition, the long-run goal would include covering by export earnings a normal amount of short-term capital outflow.

Any effort to quantify precisely the shortfall in exports and to assess the trend slope of future exports involves tremendous guesswork. Merely as an hypothesis to be amended as events unfold, let us suppose that the trend value of the over-all balance-of-payments deficit at the end of 1960 was still at least $2 billion. Such a figure might be arrived at by assuming that the export trend was more than a billion below actual exports, that the trend value for net payments in the rest of the current and long-term capital accounts was more than half a billion above actual net payments,2/

2/ The trend value for merchandise imports alone was perhaps $1-1/2 billion above actual imports, but Government aid and long-term capital outflow trend values were below actuals.

and that the long-run average for short-term capital outflow can be reckoned at a few hundred million.3/

The billion-plus difference between trend exports and actual exports in the fourth quarter of 1960 owed relatively little to "special" factors. The much-publicized bulge in aircraft exports was past its peak by that time, and abnormal bulges in raw cotton exports both in 1959-60 and 1960-61 were more heavily concentrated in the January-March quarters than in October-December 1960. Some of the "cyclical" swelling of exports was also past its peak by the fourth quarter: seasonally adjusted exports of metals and chemicals influenced by inventory demand abroad were already falling off. Total nonagricultural exports were being sustained by rising machinery exports, but these had not yet gone much above what can be taken as their underlying trend.

Actual total merchandise exports in the fourth quarter of 1960 were not quite as high (after seasonal adjustment) as actual exports in the first half of 1957. In the interim, actual exports, on a quarterly annual-rate basis, had fallen about $5 billion and then risen nearly as much. The trend level had probably risen from early 1957 to late 1960 by something like two billion. "Special" factors and "cyclical" factors had been far more important in the post-Suez-crisis export peak of early 1957 than they were at the end of 1960.

How rapidly the trend line of exports is now rising, or will rise in the next few years, is a crucial question, and a very difficult one to answer. As in the case of imports, it is arguable that changes in the competitive position of the United States -- for the worse until mid-1959, and then for the better -- require us to think in terms not of a straight, or continuously curved, trend line, but of a segmented line which became flatter for a while and then flexed upward again. Some people take the optimistic, and perhaps plausible, view that the trend line for exports is now tilted strongly enough upward to take us slowly toward a really basic (trend value) equilibrium in the over-all balance of payments. Those who hold to this view are really asserting their faith that our competitive position will not worsen but improve during the next few years and that economic growth will continue at a healthy pace in the rest of the world.

A few words must be said now about tied exports in the Government's economic aid programs. Obviously the levels of exports and of Government economic aid are to some extent interrelated. This means, for one thing, that any measurement of the U.S. export surplus is essentially arbitrary; the mathematical fact of an export surplus of such and such a size says nothing in itself about U.S. competitive ability. If the trend of economic aid is rising and a considerable part of economic aid is tied to U.S. exports, obviously total exports are helped to rise.

3/ Including an allowance for long-term bank loans.

We do need to consider, however, whether the apparent shift in the export trend line since 1959 has been significantly affected by changes in the composition of aid or by changes in aid policies. One may suspect that a careful study of this question would not suggest that either the level or the trend of exports has been pushed up lately any more than they were being pushed up a few years ago or than they will be a year or two hence. In other words, there may have been a moderate push of this kind fairly continuously for some time, and this may be expected to continue. Two noteworthy developments have been (1) a rise especially between 1955 and 1958 in Public Law 480 financing of agricultural surplus exports by our accepting foreign currencies not to be converted but relent, and (2) the adoption by the Development Loan Fund in 1959 of a policy of avoiding, in general, the financing of capital goods purchased by underdeveloped countries from other industrial countries which ought to be able to provide the financing themselves. (In 1960 the application of this policy was extended to other aid operations.) Effects of the 1959 policy change are taking a good deal of time to work through the commitment process to actual exports. It is probably safe to say that the effects during 1959-61 of changes in aid policy have not been such as to throw serious doubts on a hypothesis that the underlying trend of total exports has shifted since 1959 in a way that gives hope of some progress toward equilibrium.

The reawakening of competitive behavior by U.S. producers during the past two years of no inflation in this country has been a development of the greatest importance. The process of equilibration has been aided, too, by expansive tendencies in the European and Japanese economies, and by the now far advanced dismantling of discriminatory restrictions on U.S. goods abroad. An important threat to continuing progress toward equilibrium may lie in the tariff policies of the Common Market, but it is much to be hoped that those countries will find it possible to reduce their common external tariff when reductions in their internal tariffs attain substantial proportions.

U.S. Balance of Payments, Rearranged

	First half-year of:				Quarters:			
	1955	1956	1957	1958	1959-II	1960-II	1960-IV	1961-I p.
	Billions of dollars, seasonally adjusted annual rates							
Merchandise Trade								
Exports	13.7	16.6	20.1	16.3	15.7	19.3	20.0	20.2
Imports	10.9	12.8	13.3	12.6	15.4	15.3	13.7	13.4
Current Account								
Trade balance	2.8	3.8	6.9	3.7	.3	4.0	6.2	6.7
Military expenditures abroad net of military export transactions	- 2.6	- 2.8	- 3.1	- 3.1	- 2.8	- 2.5	- 2.6	- 2.7
Other services: receipts	5.4	6.1	7.1	6.6	6.8	7.5	7.9	7.9
payments	- 3.5	- 3.9	- 4.3	- 4.7	- 5.1	- 5.8	- 5.4	- 5.4
Remittances and pensions	- .6	- .7	- .7	- .7	- .7	- .9	- .9	- .8
"Normal" errors and omissions 1/	.5	.5	.5	.5	.5	.5	.5	.5
A. Balance on current account 2/	2.1	3.0	6.4	2.4	- 1.1	2.9	5.8	6.1
B. Government economic aid, net	- 2.5	- 2.2	- 2.3	- 2.3	- 2.3	- 2.8	- 3.5	- 3.5
C. Private U.S. capital, long-term (except bank loans)	- .7	- 1.6	- 3.4	- 2.4	- 2.3	- 1.9	- 3.5	- 2.1
D. Foreign long-term capital	.4	.5	.6	--	.8	.6	- .3	.5
E.1. Balance on A, B, C, D	- .7	- .3	+ 1.2	- 2.4	- 4.9	- 1.2	- 1.4	+ 1.0
	Millions of dollars, quarterly or quarterly averages 3/							
E.2. Balance on A, B, C, D	-160	- 70	+290	-600	-1230	-310	-350	+250
F. Private U.S. capital short-term plus long-term bank loans (-, increase)	- 70	-120	-210	-160	- 50	-130	-600	-470
G. "Abnormal" errors and omissions	- 10	- 90	160	0	150	-270	-450	- 70
H. Foreign private short-term capital 4/5/	- 50	[illegible]	80	130	400	70	-49[illegible]	-150

U.S. Balance of Payments, Rearranged (continued)

	First half-year of:				Quarters:			
	1955	1956	1957	1958	1959-II	1960-II	1960-IV	1961-I p.
I. Foreign official liquid dollars 4/5/	310	220	80	- 20	450	660	750	120
J. Decrease (+) in gold and convertible currencies held by U.S. monetary authorities 5/	30	- 60	-340	720	400	90	920	350
K. Seasonal adjustment for H + I + J	- 60	-110	- 70	- 70	-120	-120	+220	- 20

p. = Preliminary.

1/ Arbitrarily estimated on the basis of errors and omissions during 1955-1959. The remainder of actual (seasonally adjusted) errors and omissions is in line G.

2/ Differs from figures often used, by including "normal" errors and omissions.

3/ Seasonally adjusted except as noted for items H, I, J.

4/ Sum of items H and I represents increases in U.S. "liquid liabilities" and equals sum of balance-of-payments items 45, 46, and 47 as numbered in Survey of Current Business, June 1961, p. 12. Item I equals item 45 (U.S. Government bonds and notes) plus changes in "short-term liabilities to foreign official and international institutions reported by banks in U.S." (Federal Reserve Bulletin). This division between private and official holdings is only approximate, since all holdings of U.S. Government bonds and notes are treated here as official and some official holdings of short-term assets are in item H.

5/ Not seasonally adjusted separately. See item K.

Note: Department of Commerce balance-of-payments data as published with revisions up to June 1961, except as noted in footnotes 1 and 4, and except for inclusion of changes in "long-term claims on foreigners reported by banks in U.S." (Federal Reserve Bulletin) with private U.S. short-term capital in line F instead of with long-term items in line C. For 1955-58, items B, C, and F are seasonally adjusted by the writer, consistently with Department of Commerce seasonal adjustment of their sum. Data for 1959-II exclude U.S. subscription to IMF. Discrepancies in additions are due to rounding.